

Differences in Medicare patient referrals to hospital-based and freestanding skilled nursing facilities

ISSUE: One of the goals of Medicare payment policy is to align payments with the efficient costs of providers. In the skilled nursing facility (SNF) setting, two very different types of SNFs—hospital-based and freestanding—paid the same rates under the same system make it difficult to define an efficient provider. On the surface, hospital-based SNFs appear to be very different from freestanding SNFs in the patients they treat, the care they deliver, and the costs they report. Patients discharged to hospital-based SNFs stay in the SNF, on average, about half as long as patients discharged to freestanding SNFs, and hospital-based SNFs report much higher costs of care than freestanding SNFs, among other observed differences.

One possible explanation for the apparent differences between hospital-based and freestanding SNFs may be different patient populations, or that the patient populations may be at different stages of recovery. Before we can appropriately compare costs and outcomes across these two settings, we must first understand and control for the differences in the patient populations they treat.

KEY POINTS: The attached report, authored by Kathleen Dalton, Sally Stearns, and Joshua Thorpe of the University of North Carolina at Chapel Hill, analyzes the effects of three sets of variables on acute care hospitals' decisions to send patients to hospital-based versus freestanding SNF settings:

- patient characteristics,
- referring hospital characteristics, and
- hospital market characteristics.

The results of this analysis represent a first step towards understanding the differences between hospital-based and freestanding SNFs and may help us better compare costs and outcomes in the two settings. This is part of an ongoing project to examine the differences between the two settings.

ACTION: Commissioners should comment on the methods, findings, and conclusions in the attached report. The results of this analysis may be included in a chapter examining the differences between hospital-based and freestanding SNFs in the June 2004 report.

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